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Ph.D. Synopsis

on

"Impact of Financial Literacy on Saving, Investment and Credit Pattern of Farmers: Special Reference to Latur District"

Under the faculty of **Commerce**

For the Award of Degree of

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1.1 Introduction :

'People with low financial literacy,
Stands are often unable to take their
Ideas and create asset out of them'

-Robert T. Kiyosaki

Government of India is taking efforts to increase the financial literacy in the people through the financial regulatory institutions like RBI, IRDA, SEBI, PFRDA, etc. They are organizing the workshops and seminars on regular basis. This will help to increase the financial literacy amongst the people of India. The farmers are also encouraging for savings and investment through financial literacy. The Government is trying to double the income of formers.

The agricultural sector, often referred to as the backbone of economies, plays a crucial role in societies around the globe. Agriculture is a major source of employment, providing livelihoods for a significant portion of India's population. This includes not only farmers but also those involved in transportation, processing, marketing, and related services. Agriculture remains the largest employer in India, providing livelihoods for a substantial portion of the population, particularly in rural areas. This employment not only generates income for millions but also supports the livelihoods of their families. While the share of agriculture in India's GDP has decreased over the years, it still contributes a significant portion of the total GDP. Crop cultivation, livestock rearing, and fisheries directly contribute to GDP through the sale of agricultural products. India is a major exporter of various agricultural products such as rice, spices, tea, and cotton. Agricultural exports generate foreign exchange earnings, contributing to a favourable trade balance.

India's economic growth is intricately tied to the vital role played by its farmers. Their contributions span various dimensions and sectors, making them indispensable for the nation's progress. Farmers are the cornerstone of India's economic growth, contributing to sectors ranging from food security to industrialization, rural development to environmental sustainability.

Agriculture often carries cultural and traditional significance, shaping the identity and heritage of many communities. Farming fosters a sense of community by bringing people together for activities like harvesting, planting, and shared resources. Farmers face challenges such as weather fluctuations and market

volatility. Their resilience and ability to adapt are critical qualities that drive their success. Agriculture often contributes significantly to a nation's Gross Domestic Product (GDP) and export earnings, impacting economic stability and growth. Agricultural products form a significant part of international trade, contributing to a country's foreign exchange earnings and global competitiveness.

Financial literacy :

Financial literacy refers to the ability to understand and effectively manage various financial aspects of one's life. It involves possessing the knowledge, skills, and confidence to make informed financial decisions, navigate complex financial systems, and effectively manage personal finances. Financial literacy encompasses a wide range of topics, including budgeting, saving, investing, borrowing and credit, managing debt, retirement planning, and making informed decisions related to various financial products and services. A financially literate individual is equipped to make sound financial choices, set financial goals, and achieve greater financial well-being.

Farmers with financial knowledge can allocate their resources more efficiently. This helps optimize agricultural practices, reduce waste, and enhance productivity, ultimately improving their income and financial stability. Farmers often rely on credit for investments in crops, equipment, and land. With financial literacy, they can better understand the terms and conditions of loans, avoiding predatory lending practices and unsustainable debt burdens. Financially literate farmers are better equipped to manage their income, expenses, and debts. They can make informed decisions that minimize financial stress and provide a sense of control over their circumstances. Learning about savings and investment options enables farmers to build financial security, plan for retirement, and invest in technologies that can enhance productivity. Financial literacy helps farmers recognize and avoid scams, exploitative contracts, and unfair pricing practices in the agricultural market. Financial literacy reduces stress by providing farmers with the tools to manage their finances effectively, promoting mental well-being. Financial literacy empowers farmers to take control of their financial future, make confident decisions, and participate more actively in economic activities.

1.2 Review of Literature:

The various researches have been done on financial literacy. Their study is related with various aspects of the respondents. The study is presented as follows -

1. **Patel, Miteshkumar J. (2023)** studied on 'The study on financial literacy among farmers of Sabarkantha and Aravalli district' and found that an average degree of financial literacy as evidenced by their attitudes, behaviors, and

knowledge of money. They are more financially savvy than the ordinary person, which affects how they behave financially. Although there is a large partial positive relationship between financial knowledge and attitude, there is no statistically significant relationship between financial activity and attitude. A substantial positive relationship had been found between financial literacy and socio-demographic factors such gender, age, education, agricultural experience, land ownership, and farmer wealth index was also found.

2. **Mitesh J. Patel, et.al. (2021)** studied on 'To Study the Impact of Financial Literacy on Farm Managing Activities of Farmers of Sabarkantha and Aravalli Districts of Gujarat". They concluded that financial literacy strongly affects farm management activities, along with financial attitude, behaviors, and knowledge. Farmers have medium financial literacy, with financial attitude having a bigger influence on management decisions than knowledge and conduct.

3. **Iman Widhiyanto, et.al. (2018)** presented in their survey on 'The Analysis of Farmers' Financial Literacy and its' Impact on Microcredit Accessibility with Interest Subsidy on Agricultural Sector' and concluded that respondents had a modest level of financial literacy, which was influenced by variables like age, education, income, and bank account ownership. Only 8.3% of farmer groups are reached by the KKP-E distribution outreach, and there are a number of problems with it, which includes lack of loans, information, collateral as well as perception of usury and loan refusal experiences.

4. **Ajay Singh & Dr. Rahul Sharma (2016)** presented their study on 'Financial Literacy & its impact on Investment Behaviour for Effective Financial Planning' and found that the many variables that affect investment behaviour. Their study contends that financial literacy is essential for making wise investment decisions. It emphasizes the significance of expertise, enthusiasm, and dedication in financial planning for investors.

5. **Mwambia, Douglas K (2014)** worked on the topic 'The Effect of Financial Literacy on Financial Returns of Miraa Farmers in Meru County' and found that Miraa farmers' financial returns in Meru County are affected by their financial literacy. They known that, financial literacy is positively associated to financial returns. Reduced household returns, poor financial decisions, and financial and social marginalization are all associated with low financial literacy. The study also revealed that Miraa farming produces significant financial returns, amounting to 160% of the initial investment. There is a significant positive association between financial literacy, capital invested, and the amount of land available for farming in Miraa.

The review of literature found that, there is no study about the financial literacy amongst the farmers, whereas the farmers are the backbone of the economy. So, for the present research work this topic is selected.

1.3 Origin of the Research Problem :

As the research scholar belongs in farmer's family and having rural background. In the rural areas farmers are always facing the crises of finance. The financial growth of the farmers can be dependent on the financial literacy. Financial literacy can improve the economic growth of the farmers.

To motivate them for saving and investment, it is necessary to check their knowledge about the financial literacy. The efforts has been taken by the Government of India regarding the financial literacy by launching Paradhan Mantri Jan Dhan Yojana, Pradhan Mantri Bima Yojana, Direct Benefit Transfer Scheme, etc. will be studied. If the efforts are not up to the mark, then the special concentration regarding the financial literacy is essential of Government level.

The review of literature reveals that, the various studies are done regarding the financial literacy of other people, those who earns the income other than farming. There is limited study about the financial literacy of the farmers, even though they are the backbone of Indian Economy.

1.4 Need of the Study

Agriculture is a significant sector of India's economy, contributing a substantial portion of the country's Gross Domestic Product. Farmers are responsible for producing the food that feeds the nation. Beyond food, farmers provide raw materials for various industries including textiles, pharmaceuticals, biofuels, and more. Farmers generate income, create jobs and stimulate economic growth through their activities and the related industries they support. Farmers facing financial difficulties and credit related stress. It is a serious issue that leads to tragic outcomes. Farmer's suicides are a distressing issue that has garnered global attention due to its complex and multifaceted nature. Financial literacy is crucial for farmers especially in preventing cases of suicide. With proper financial knowledge, farmers can make informed decisions about managing their finances, understanding loans, budgeting and effectively utilizing credit.

Financial literacy can help farmers alleviate financial stress and reduce the likelihood of extreme measures like suicide. Understanding financial concepts enables farmers to plan for unforeseen events like crop failure, natural disasters or market fluctuations. With financial literacy farmers can understand the importance of saving money for future needs and emergencies. They can establish savings goals, set aside funds, and create a safety net to weather unexpected financial

challenges. This research study helps farmers to develop risk management strategies, to understand loan terms, interest rates, and repayment schedules, prevent over borrowing and unmanageable debt and create savings or insurance plans to safeguard their livelihoods.

1.5 Statement of the Problem :

Recently Government of India had taken various steps regarding the financial literacy. But, various studies show that, the Government is concentrating on regular income group. The farmers are also the part of the society. They are also in need of financial literacy, which will increase their income. The increased income of the farmers definitely helps to increase the GDP of the nation.

It is now become most important, that the study should be done on financial literacy, saving pattern, investment pattern and borrowing pattern of the farmers in the country. These are the factors which are hurdles for income upliftment of the farmers. Hence, the present topic is chosen by the research for the research.

1.6 Objectives of the Study :

1. To study the awareness of the farmers about financial literacy.
2. To know the various sources of borrowing of the farmers.
3. To study the beneficiaries of major schemes launched by the Government of India for the farmers.
4. To study the awareness about the saving and investment pattern of the farmers.
5. To give corrective measures for the upliftment of farmers income.

1.7 Hypothesis of the study:

Hypothesis: 1

H0: There is no correlation between farmers' saving patterns and financial literacy in Latur District.

H1: There is correlation between farmers' saving patterns and financial literacy in Latur District.

Hypothesis: 2

H0: Financial literacy has no impact on farmers' investment pattern in Latur District.

H1: Farmers' investment pattern is significantly impacted by their level of financial literacy in Latur District.

Hypothesis: 3

H0: There is no significant association between borrowings and financial literacy amongst the farmers in Latur District.

H1: Financial literacy is significant association between borrowings and financial literacy amongst the farmers in Latur District.

Hypothesis: 4

Ho : There is no association between demographic factors and financial literacy of farmers.

H1 : There is association between demographic factors and financial literacy of farmers.

Hypothesis: 5

Ho : There is no association between income and financial literacy level of farmers.

H1 : There is association between income and financial literacy level of farmers.

1.8 Research Methodology

The study is explorative and descriptive in nature. Primary data as well as secondary data were used for the study.

a) Primary Data:

Primary data will be collected by using a structured questionnaire, scheduled method. The questionnaire will be divided into various parts like, demographic factors, income pattern, borrowing pattern, etc. The primary data will be collected by the respondents. The samples will be selected by quota method. All the 10 talukas of Latur district will be covered for sampling and the equal weightage for the sample will be given. The farmers who received financial aid under National Defence Response Force (NDRF) scheme during the year 2020 will be considered as population.

b) Secondary Data:

Secondary data refers to data that has been collected by someone else for a purpose for this research study. Secondary data will be collected through published sources such as journals, websites, magazines, books, e-books, as well as publications of SEBI, NISM, RBI and other financial institutions.

d) Sample Size: By considering the nature of population, the minimum sample size would be 386, which was calculated by using the following formula, which is universally accepted.

$$n = \frac{n_0 \times N}{n + (N - 1)}$$

where, n = sample size, n_0 = Proportion of unknown population, N = Known population size. However, the researcher raised the sample size to 470 for more reliability for the study.

d) Sample Tehniques :

For the present study the population size is unknown. The Latur district is divided into 10 Talukas. 10% samples villages will be selected from each taluka on random sampling basis. From the selected villages 5 farmers having their earning form agriculture is considered as sample. The sample will be selected as per the Table-1.

Table 1 : Selection of Sample

Sr. No.	Name of Taluka	No. of villages	Village Sample Size	Total Sample (By considering 5 samples from each village)
1.	Ahmedpur	121	12	60
2.	Ausa	127	13	65
3.	Chakur	84	8	40
4.	Deoni	53	5	25
5.	Jalkot	47	5	25
6.	Latur	121	12	60
7.	Nilanga	156	16	80
8.	Renapur	75	8	40
9.	Shirur Anantpal	48	5	25
10.	Udgir	99	10	50
	Total	**931**	**93**	**470**

Source : Villages List | लातूर जिल्हा | India (latur.gov.in)

d) Year -wise Plan of work and targets to be achieved:

Phase	Targeted to be achieved
Phase I (5 months)	Course Work
Phase II (3 months)	Review of Literature
Phase III (4 months)	Finalisation of research topic
Phase IV (4 months)	Literature study, Questionnaire preparation & Pilot study and sampling
Phase V (3 months)	Collection of Data
Phase VI (5 months)	Data classification and tabulation
Phase VII (4 months)	Analysis of Data
Phase VIII (4 months)	Preparation of report
Phase IX (4 months)	Submission Research Report
Total	**3 years**

1.8 Scope of the Study :

a) Periodical Scope:

For this research study, the data will be collected from the farmers who have agricultural income during 1.4.2019 to 31.3.2023 for full five years. It means, the farmers should depend on agricultural income at least five years will be considered as sample.

b) Geographical Scope:

The data for this research is collected from Latur district. The district has 10 Taluqas, which includes Ahemdpur, Ausa, Chakur, Deoni, Jalkot, Latur, Nilanga, Renapur, Shirur-Anatpal and Udgir.

1.9 Limitations of the Study :

1. The study is limited only for the Latur district.
2. The data will be collected from the farmers. The numerical data can be affected due to illiteracy amongst the farmers.
3. The samples will be collected from the farmers who are working as farmer at least for five years.
4. The data is related with the income of the farmers, which can be affects on the data collection.

1.10 Chapter Scheme :

Chapter I: Introduction :

This chapter includes – Introduction, Statement of the Problem, Scope and Objectives of the Study, Hypothesis of the Study, Research Methodology, Sample Design and Limitations of the Study.

Chapter II: Review of Literature

The second chapter analyses the relevant literature of studies on this topic conducted by various scholars in the past.

Chapter III: Data analysis

The third chapter can be includes the data presentation and analysis. The tables and graphs can be used to present the data. The data can be analyzed by using various statistical tools like Mean, Standard Deviation, Correlation, and Association of Attributes. The conclusions can draw on the basis of statistical calculations of the data.

Chapter IV: Testing of Hypothesis

The fourth chapter will be consists of testing of hypothesis by using various testing tools. Chi-square test, Students t-test, ANOVA test will be used for testing of the data

Chapter V: Results and Conclusions

The fifth chapter summarises the study's results, recommendations, and conclusions.

1.11 References:

1) Villages List | Latur District | India (latur.gov.in)
2) Patel, Miteshkumar Jethabhai, 'The study on financial literacy among farmers of Sabarkantha and Aravalli district', 2023.
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